

\$1,000 Per Hour Isn't Rare Anymore; Nominal billing levels rise, but discounts ease blow. The National Law Journal January 13, 2014 Monday

Copyright 2014 ALM Media Properties, LLC
All Rights Reserved
Further duplication without permission is prohibited

THE NATIONAL
LAW JOURNAL

The National Law Journal

January 13, 2014 Monday

SECTION: NLJ'S BILLING SURVEY; Pg. 1 Vol. 36 No. 20

LENGTH: 1860 words

HEADLINE: \$1,000 Per Hour **Isn't Rare Anymore;**
Nominal billing levels rise, but discounts ease blow.

BYLINE: KAREN SLOAN

BODY:

As recently as five years ago, law partners charging \$1,000 an hour were outliers. Today, four-figure hourly rates for indemand partners at the most prestigious firms don't raise eyebrows-and a few top earners are closing in on \$2,000 an hour.

These rate increases come despite hand-wringing over price pressures from clients amid a tough economy. But everrising standard billing rates also obscure the growing practice of discounts, falling collection rates, and slow march toward alternative fee arrangements.

Nearly 20 percent of the firms included in The National Law Journal's annual survey of large law firm billing rates this year had at least one partner charging more than \$1,000 an hour. Gibson, Dunn & Crutcher partner Theodore Olson had the highest rate recorded in our survey, billing \$1,800 per hour while representing mobile satellite service provider LightSquared Inc. in Chapter 11 proceedings.

Of course, few law firm partners claim Olson's star power. His rate in that case is nearly the twice the \$980 per hour average charged by Gibson Dunn partners and three times the average \$604 hourly rate among partners at NLJ 350 firms. Gibson Dunn chairman and managing partner Ken Doran said Olson's rate is "substantially" above that of other partners at the firm, and that the firm's standard rates are in line with its peers.

"While the majority of Ted Olson's work is done under alternative billing arrangements, his hourly rate reflects his stature in the legal community, the high demand for his services and the unique value that he offers to clients given his extraordinary experience as a former solicitor general of the United States who has argued more than 60 cases before the U.S. Supreme Court and has counseled several presidents," Doran said.

In reviewing billing data this year, we took a new approach, asking each firm on the NLJ 350-our survey of the nation's 350 largest firms by attorney headcount-to provide their highest, lowest and average billing rates for associates and partners. We supplemented those data through public records. All together, this year's survey includes information for 159 of the country's largest law firms and reflects billing rates as of October.

The figures show that, even in a down economy, hiring a large law firm remains a pricey prospect. The median among the highest partner billing rates reported at each firm is \$775 an hour, while the median low partner rate is \$405. For associates, the median high stands at \$510 and the low at \$235. The average associate rate is \$370.

Multiple industry studies show that law firm billing rates continued to climb during 2013 despite efforts by corporate counsel to rein them in. TyMetrix's 2013 Real Rate Report Snapshot found that the average law firm billing rate increased by 4.8 percent compared with 2012. Similarly, the Center for the Study of the Legal Profession at the Georgetown University Law Center and Thomson Reuters Peer Monitor found that law firms increased their rates by an average 3.5 percent during 2013.

Of course, rates charged by firms on paper don't necessarily reflect what clients actually pay. Billing realization rates-which reflect the percentage of work billed at firms' standard rates- have fallen from 89 percent in 2010 to nearly 87 percent in 2013 on average, according to the Georgetown study. When accounting for billed hours actually collected by firms, the realization rate falls to 83.5 percent.

"What this means, of course, is that- on average-law firms are collecting only 83.5 cents for every \$1.00 of standard time they record," the Georgetown report reads. "To understand the full impact, one need only consider that at the end of 2007, the collected realization rate was at the 92 percent level."

In other words, law firms set rates with the understanding that they aren't likely to collect the full amount, said Mark Medice, who oversees the Peer Monitor Index. That index gauges the strength of the legal market according to economic indicators including demand for legal services, productivity, rates and expenses. "Firms start out with the idea of, 'I want to achieve a certain rate, but it's likely that my client will ask for discounts whether or not I increase my rate,'" Medice said.

Indeed, firms bill nearly all hourly work at discounts ranging from 5 percent to 20 percent off standard rates, said Peter Zeughauser, a consultant with the Zeughauser Group. Discounts can run as high as 50 percent for matters billed under a hybrid system, wherein a law firm can earn a premium for keeping costs under a set level or for obtaining a certain outcome, he added. "Most firms have gone to a two-tier system, with what is essentially an aspirational rate that they occasionally get and a lower rate that they actually budget for," he said.

Most of the discounting happens at the front end, when firms and clients negotiate rates, Medice said. But additional discounting happens at the billing and collections stages. Handling alternative fee arrangements and discounts has become so complex that more than half of the law firms on the Am Law 100-NLJ affiliate The American Lawyer's ranking of firms by gross revenue-have created new positions for pricing directors, Zeughauser said.

THE ROLE OF GEOGRAPHY

Unsurprisingly, rates vary by location. Firms with their largest office in New York had the highest average partner and associate billing rates, at \$882 and \$520, respectively. Similarly, TyMetrix has reported that more than 25 percent of partners at large New York firms charge \$1,000 per

hour or more for contracts and commercial work.

Washington was the next priciest city on our survey, with partners charging an average \$748 and associates \$429. Partners charge an average \$691 in Chicago and associates \$427. In Los Angeles, partners charge an average \$665 while the average associate rate is \$401.

Pricing also depends heavily on practice area, Zeughauser and Medice said. Bet-the-company patent litigation and white-collar litigation largely remain at premium prices, while practices including labor and employment have come under huge pressure to reduce prices.

"If there was a way for law firms to hold rates, they would do it. They recognize how sensitive clients are to price increases," Zeughauser said. But declining profit margins—due in part to higher technology costs and the expensive lateral hiring market—mean that firms simply lack the option to keep rates flat, he said.

BILLING SURVEY METHODOLOGY

The National Law Journal's survey of billing rates of the largest U.S. law firms provides the high, low and average rates for partners and associates.

The NLJ asked respondents to its annual survey of the nation's largest law firms (the NLJ 350) to provide a range of hourly billing rates for partners and associates as of October 2013.

For firms that did not supply data to us, in many cases we were able to supplement billing-rate data derived from public records.

In total, we have rates for 159 of the nation's 350 largest firms.

Rates data include averages, highs and low rates for partners and associates. Information also includes the average full-time equivalent (FTE) attorneys at the firm and the city of the firm's principal or largest office.

We used these data to calculate averages for the nation as a whole and for selected cities.

Billing Rates at the Country's Priciest Law Firms

Here are the 50 firms that charge the highest average hourly rates for partners.

Billing Rates at the Country's Priciest Law Firms

| FIRM NAME | LARGEST U.S. OFFICE* | AVERAGE FULL-TIME EQUIVALENT ATTORNEYS* | PARTNER HOURLY RATES | ASSOCIATE HOURLY RATES | | | | |
|---|----------------------------|--|----------------------------|------------------------------|-------|---------|-------|-------|
| | | | AVERAGE | HIGH | LOW | AVERAGE | HIGH | LOW |
| * Full-time equivalent attorney numbers and the largest U.S. office are from the NLJ 350 published in April 2013. For complete numbers, please see NLJ.com . | | | | | | | | |
| ** Firm did not exist in this form for the entire year. | | | | | | | | |
| Debevoise & Plimpton | New York | 615 | \$1,055 | \$1,075 | \$955 | \$490 | \$760 | \$120 |
| Paul, Weiss, | New York | 803 | \$1,040 | \$1,120 | \$760 | \$600 | \$760 | \$250 |

| | | | | | | | | | |
|--|------------------|-------|---------|---------|-------|-------|---------|-------|--|
| Rifkind, Wharton & Garrison | | | | | | | | | |
| Skadden, Arps, Slate, Meagher & Flom | New York | 1,735 | \$1,035 | \$1,150 | \$845 | \$620 | \$845 | \$340 | |
| Fried, Frank, Harris, Shriver & Jacobson | New York | 476 | \$1,000 | \$1,100 | \$930 | \$595 | \$760 | \$375 | |
| Latham & Watkins | New York | 2,033 | \$990 | \$1,110 | \$895 | \$605 | \$725 | \$465 | |
| Gibson, Dunn & Crutcher | New York | 1,086 | \$980 | \$1,800 | \$765 | \$590 | \$930 | \$175 | |
| Davis Polk & Wardwell | New York | 787 | \$975 | \$985 | \$850 | \$615 | \$975 | \$130 | |
| Willkie Farr & Gallagher | New York | 540 | \$950 | \$1,090 | \$790 | \$580 | \$790 | \$350 | |
| Cadwalader, Wickersham & Taft | New York | 435 | \$930 | \$1,050 | \$800 | \$605 | \$750 | \$395 | |
| Weil, Gotshal & Manges | New York | 1,201 | \$930 | \$1,075 | \$625 | \$600 | \$790 | \$300 | |
| Quinn Emanuel Urquhart & Sullivan | New York | 697 | \$915 | \$1,075 | \$810 | \$410 | \$675 | \$320 | |
| Wilmer Cutler Pickering Hale and Dorr | Washington | 961 | \$905 | \$1,250 | \$735 | \$290 | \$695 | \$75 | |
| Dechert | New York | 803 | \$900 | \$1,095 | \$670 | \$530 | \$735 | \$395 | |
| Andrews Kurth | Houston | 348 | \$890 | \$1,090 | \$745 | \$528 | \$785 | \$265 | |
| Hughes Hubbard & Reed | New York | 344 | \$890 | \$995 | \$725 | \$555 | \$675 | \$365 | |
| Irell & Manella | Los Angeles | 164 | \$890 | \$975 | \$800 | \$535 | \$750 | \$395 | |
| Proskauer Rose | New York | 746 | \$880 | \$950 | \$725 | \$465 | \$675 | \$295 | |
| White & Case | New York | 1,900 | \$875 | \$1,050 | \$700 | \$525 | \$1,050 | \$220 | |
| Morrison & Foerster | San Francisco | 1,010 | \$865 | \$1,195 | \$595 | \$525 | \$725 | \$230 | |
| Pillsbury Winthrop Shaw Pittman | Washington | 609 | \$865 | \$1,070 | \$615 | \$520 | \$860 | \$375 | |
| Kaye Scholer | New York | 414 | \$860 | \$1,080 | \$715 | \$510 | \$680 | \$320 | |
| Kramer Levin Naftalis & Frankel | New York | 320 | \$845 | \$1,025 | \$740 | \$590 | \$750 | \$400 | |
| Hogan Lovells | Washington | 2,280 | \$835 | \$1,000 | \$705 | - | - | - | |

| | | | | | | | | |
|--|----------------|-------|-------|---------|-------|-------|-------|-------|
| Kasowitz, Benson, Torres & Friedman | New York | 365 | \$835 | \$1,195 | \$600 | \$340 | \$625 | \$200 |
| Kirkland & Ellis | Chicago | 1,517 | \$825 | \$995 | \$590 | \$540 | \$715 | \$235 |
| Cooley | Palo Alto | 632 | \$820 | \$990 | \$660 | \$525 | \$630 | \$160 |
| Arnold & Porter | Washington | 748 | \$815 | \$950 | \$670 | \$500 | \$610 | \$345 |
| Paul Hastings | New York | 899 | \$815 | \$900 | \$750 | \$540 | \$755 | \$335 |
| Curtis, Mallet- Prevost, Colt & Mosle | New York | 322 | \$800 | \$860 | \$730 | \$480 | \$785 | \$345 |
| Winston & Strawn | Chicago | 842 | \$800 | \$995 | \$650 | \$520 | \$590 | \$425 |
| Bingham McCutchen | Boston | 900 | \$795 | \$1,080 | \$220 | \$450 | \$605 | \$185 |
| Akin Gump Strauss Hauer & Feld | Washington | 806 | \$785 | \$1,220 | \$615 | \$525 | \$660 | \$365 |
| Covington & Burling | Washington | 738 | \$780 | \$890 | \$605 | \$415 | \$565 | \$320 |
| King & Spalding | Atlanta | 838 | \$775 | \$995 | \$545 | \$460 | \$735 | \$125 |
| Norton Rose Fulbright | N/A** | N/A** | \$775 | \$900 | \$525 | \$400 | \$515 | \$300 |
| DLA Piper | New York | 4,036 | \$765 | \$1,025 | \$450 | \$510 | \$750 | \$250 |
| Bracewell & Giuliani | Houston | 432 | \$760 | \$1,125 | \$575 | \$440 | \$700 | \$275 |
| Baker & McKenzie | Chicago | 4,004 | \$755 | \$1,130 | \$260 | \$395 | \$925 | \$100 |
| Dickstein Shapiro | Washington | 308 | \$750 | \$1,250 | \$590 | \$475 | \$585 | \$310 |
| Jenner & Block | Chicago | 432 | \$745 | \$925 | \$565 | \$465 | \$550 | \$380 |
| Jones Day | New York | 2,363 | \$745 | \$975 | \$445 | \$435 | \$775 | \$205 |
| Manatt, Phelps & Phillips | Los Angeles | 325 | \$740 | \$795 | \$640 | - | - | - |
| Seward & Kissel | New York | 152 | \$735 | \$850 | \$625 | \$400 | \$600 | \$290 |
| O'Melveny & Myers | Los Angeles | 738 | \$715 | \$950 | \$615 | - | - | - |
| McDermott Will & Emery | Chicago | 1,024 | \$710 | \$835 | \$525 | - | - | - |
| Reed Smith | Pittsburgh | 1,468 | \$710 | \$945 | \$545 | \$420 | \$530 | \$295 |
| Dentons | N/A** | N/A** | \$700 | \$1,050 | \$345 | \$425 | \$685 | \$210 |
| Jeffer Mangels Butler & Mitchell | Los Angeles | 126 | \$690 | \$875 | \$560 | - | - | - |
| Sheppard, | Los | 521 | \$685 | \$875 | \$490 | \$415 | \$535 | \$275 |

Mullin, Richter Angeles
& Hampton

| | | | | | | | | |
|---------------|---------|-----|-------|-------|-------|-------|-------|-------|
| Alston & Bird | Atlanta | 805 | \$675 | \$875 | \$495 | \$425 | \$575 | \$280 |
|---------------|---------|-----|-------|-------|-------|-------|-------|-------|

THE FOUR-FIGURE CLUB

These 10 firms posted the highest partner billing rates.

THE FOUR-FIGURE CLUB

| | |
|--|---------|
| Gibson, Dunn & Crutcher | \$1,800 |
| Dickstein Shapiro | \$1,250 |
| Wilmer Cutler Pickering Hale and Dorr | \$1,250 |
| Akin Gump Strauss Hauer & Feld | \$1,220 |
| Kasowitz, Benson, Torres & Friedman | \$1,195 |
| Morrison & Foerster | \$1,195 |
| Skadden, Arps, Slate, Meagher & Flom | \$1,150 |
| Baker & McKenzie | \$1,130 |
| Bracewell & Giuliani | \$1,125 |
| Paul, Weiss, Rifkind, Wharton & Garrison | \$1,120 |

Contact Karen Sloan at ksloan@alm.com

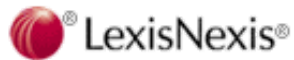
LOAD-DATE: January 13, 2014

Source: [Legal](#) > / . . . / > [The National Law Journal](#) 

Terms: **"isn't rare anymore"** ([Suggest Terms for My Search](#))

View: Full

Date/Time: Friday, August 15, 2014 - 6:12 PM EDT



[About LexisNexis](#) | [Privacy Policy](#) | [Terms & Conditions](#) | [Contact Us](#)
Copyright © 2014 LexisNexis, a division of Reed Elsevier Inc. All rights reserved.